

Creative DSO Initiative Creates Team Spirit at Crescent Healthcare

A measurement of the number of days between finalized sales and revenue collection, days sales outstanding (DSO) is an important tool in the assessment of a company's overall liquidity. That is because DSO is a key element in a company's ability to turn sales into cash for reinvestment and additional sales purposes. The lower the DSO, the quicker the company is able to complete these transactions.

However, many companies struggle against a high DSO. It is a situation that can be attributed to a number of things, including customers purchasing products with credit and ineffective collection practices, and can result in serious cash flow problems for businesses.

One such company is [Crescent Healthcare Inc.](#), which provides home infusion services to patients with chronic disorders. In 2004, Crescent's DSO was hovering at more than 100 days due in part to weaknesses within accounts receivable and billing practices.

"We realized that to make improvements within the accounts receivable department we needed to resolve front-end processes," said Richard Arciniaga, director of accounting and finance, Crescent Healthcare.

Crescent CFO Bill Forster recognized that accelerating billing and collections and improving cash flow would be more efficient if the entire department got involved in the process. To facilitate that, he established a program that offered monetary incentives to team members who met quarterly and annual goals. An additional "overachiever bonus" was given to those whose goals were met each month. In total, employees were given the opportunity to earn up to 33% of their yearly salary in bonuses in exchange for proactive efforts to improve business processes.

"Designed for improvement, we made the goals challenging enough to be capable but not easy," said Arciniaga, "The Motivator" of the DSO program. "Further, we split employees into teams and allowed them to pick unique names to bolster excitement. This also allowed us to easily identify which teams were experiencing problems and what types of problems were most common."

Since the program was built around the ability of aggregate teams to hit target goals, members were also accountable to each other. Each team was only as strong as its weakest link, which encouraged collaboration and unity. The opportunity to select leaders and team names also created a level of autonomy.

Initially, the board of directors was skeptical of the program. However, those doubts were put to bed when the program produced significant results within two quarters of enactment.

"By 2008, we were stupefied by the value we were seeing, with DSO dropping from 100 to 70," said Arciniaga. "By 2009, we saw DSO drop below 60 days. This adjustment provided us more cash flow than ever before, while employee morale had noticeably improved. We also saw a reduction in the number of outstanding claims and risk of adjustment, while receiving rebates from manufacturers for buying in bulk and having the flexibility to take advantage of vendor discounts."

At the end of 2010, Crescent Healthcare experienced the lowest DSO yet, with turnaround time dropping to just 40 days.

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